

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Inspector General**

Inspector General



May 30, 2002

Robert R. Rigsby  
Corporation Counsel  
Office of the Corporation Counsel  
1350 Pennsylvania Avenue, N.W., Suite 409  
Washington, D.C. 20004


Dear Mr. Rigsby:

Enclosed is the final report summarizing the results of the Office of the Inspector General's audit of the Antifraud Fund (OIG No. 02-2-11CB).

Specifically, our audit disclosed that a separate account had been established to account for funds collected and disbursed related to false claims recoveries. Additionally, we raised concerns about the timeliness, and completeness of payments made to the Fund. Recommendations were made to address reported deficiencies. Since the issuance of the draft report, the Corporation Counsel has implemented actions to address the recommendations made. The Office of the Corporation Counsel's (OCC) comments to our draft report are incorporated where appropriate. The full text of OCC's response is included at Exhibit A.

If you have questions, call me at (202) 727-2540, or William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

*for*   
Charles C. Maddox, Esq.  
Inspector General

CCM/ws

Enclosure

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT OF COLUMBIA  
ANTIFRAUD FUND**



**CHARLES C. MADDOX, ESQ.  
INSPECTOR GENERAL**

**Audit Report No. OIG No. 02-2-11CB**

**May 30, 2002**

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## AUDIT OF THE DISTRICT OF COLUMBIA ANTIFRAUD FUND

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### OVERVIEW

This report summarizes the Office of the Inspector General's audit of the District of Columbia Antifraud Fund (Fund). The objectives of our audit were to determine whether the District: (1) established a separate accounting fund in its financial accounting system to account for Fund revenues; (2) received payments due the Fund; and (3) deposited monies received on a timely basis. The audit covered the period January 2001 through March 2001. We conducted our audit in accordance with generally accepted auditing standards and included such tests as we considered necessary under the circumstances.

### BACKGROUND

The Antifraud Fund is required by statutory provisions in the Procurement Reform Act of 1998 as codified at D.C. Code § 2-308.20 (2001). The statute states that the Fund is to be operated as a proprietary fund with assets not to exceed \$2 million at any time. *Id.* at § 2-308.20(a). Additionally, the statute requires the OIG to audit the Fund annually. *Id.* at § 2-308.20(c).

Deposits into the Fund are comprised of criminal fines, civil penalties, and damages collected from false claims recoveries. Additionally, the Fund may be used by the Office of the Corporation Counsel (OCC) to carry out the enforcement of the False Claims Act, including costs reasonably related to prosecuting cases and conducting investigations.

### ACCOUNT ANALYSIS

We obtained confirmation from the District's System of Accounting and Reporting (SOAR) that a separate account had been established to account for funds collected and disbursed related to false claims recoveries. Details of the account are as follows.

Title:	Antifraud Fund
Agency:	CBO (Office of Corporation Counsel)
Index:	11004
Fund:	0612
Org Code:	1600

Our review of the activity of the Fund since its inception found that 13 transactions had occurred. At the end of fiscal year 2001, the Antifraud Fund had a balance of \$10,146.30. The current balance of the Fund as of April 15, 2002, is \$21,748.92.

## AUDIT OF THE DISTRICT OF COLUMBIA ANTIFRAUD FUND

### *Details of Transactions*

A breakout of the payments received and related deposit transaction dates for the Antifraud Fund are provided below.

<b>Date of Check</b>	<b>Payee</b>	<b>Amount</b>	<b>Date Deposited with DC Treasury</b>	<b>Lapsed Days</b>
1/16/2001	A	\$ 9,596.30	3/20/2001	63

9/1/2001	B	550.00	9/19/2001	18
10/1/2001	B	550.00	12/3/2001	63
11/1/2001	B	550.00	12/3/2001	32
1/7/2002	B	550.00	3/21/2002	73
2/1/2002	B	550.00	3/21/2002	48
2/1/2002	B	550.00	3/21/2002	48
		\$ 3,300.00		

10/4/2001	C	7,000.00	11/1/2001	28
12/15/2001	C	617.54	3/21/2002	96
1/22/2002	C	308.77	3/21/2002	58
2/5/2002	C	308.77	3/21/2002	44
3/6/2002	C	308.77	3/21/2002	15
3/29/2002	C	308.77	4/10/2002	12
		\$ 8,852.62		

As illustrated above, based on the data maintained by the OCC, on average, it takes approximately 45 days for a payment received to be credited to the Fund. Extended delays increase the possibility for loss, do not allow for timely notification of delinquent accounts, and also result in lost interest on deposits.

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## AUDIT OF THE DISTRICT OF COLUMBIA ANTIFRAUD FUND

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### *Discussion of Transactions*

- A. On January 16, 2001, OCC received a check in the amount of \$9,596.30 from the U.S. Treasury. This check represented the District's share of a false claims settlement with Medicaid provider Multi-Therapeutic Services, Inc. Based on further inquiry into this payment, we found that \$4,112.70 should have been credited as restitution to the District of Columbia's Medical Assistance Administration (MAA). The Chief Financial Officer has submitted a journal entry to properly classify the funds to the appropriate account.

As of March 20, 2002, the entry to transfer funds in the amount of \$4,112.70 had not yet been made. As a result, the Antifraud Fund is overstated by that amount.

- B. In conjunction with a settlement agreement related to Action #D-1631-01, Ability Medical Equipment Co. is required to make 60 monthly payments of \$550.00 beginning on September 1, 2001.

We noted that payments of \$550 began in September 2001, as outlined in the settlement agreement. However, based on the date of the check, we concluded that the payment for December 2001 was received late (January 7, 2002), thereby making subsequent payments also late. Additionally, our review found that two payments received were dated February 1, 2002. None of the payments contained an annotation indicating the month for which the payment should be applied. Therefore, we cannot determine if payments were received late, have been misapplied, or are missing.

- C. A settlement agreement was entered into on October 01, 2001, between the District of Columbia and Reynolds & Associates, Inc, doing business as Washington Halfway Homes, regarding an investigation conducted by the D.C. Office of Inspector General. The investigation centered on Reynolds' submission of claims for services provided to the D.C. Department of Corrections (DOC).

The agreement required Reynolds to pay the District's Antifraud Fund the sum of \$17,000. No later than 10 days from October 01, 2001, \$7,000 was to be paid to the District. The \$10,000 balance would accrue interest at 7 percent per annum and was to be repaid by Reynolds pursuant to the agreement, which authorized the DOC to deduct the sum of \$308.77 for 36 consecutive months from the DOC's monthly payment to Reynolds under its current contract for services. The deduction began with DOC's October 2001 payment upon receipt of Reynolds' September 2001 invoice, and the funds deducted are to be credited to the District of Columbia Antifraud Fund.

We noted that the initial payment was made as outlined in the agreement. Further, monthly payments have been appropriately credited to the Antifraud Fund. No Exceptions were noted.

## **RECOMMENDATIONS**

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### **RECOMMENDATION 1**

We recommended that the Corporation Counsel provide documentation to the OIG that confirms that \$4,112.70 identified as restitution due to the District of Columbia's MAA was transferred as appropriate.

#### **OCC RESPONSE**

OCC officials provided a copy of a journal entry posting to the District's financial management system(SOAR) to transfer the portion of the payment due to the Department of Human Services.

#### **OIG COMMENT**

The actions planned and taken by OCC have corrected the conditions noted.

### **RECOMMENDATION 2**

We recommended that the Corporation Counsel review Fund transactions on a regular basis to ensure they are properly posted and timely received.

#### **OCC RESPONSE**

OCC officials stated in its response that they have required "tickler" files to be maintained that will identify the dates payments are due so that delinquent payments can be pursued.

#### **OIG COMMENT**

The actions planned and taken by OCC should correct the conditions noted.

### **RECOMMENDATION 3**

We recommended that the Corporation Counsel identify process improvements that would expedite the deposit of funds received to reduce lapsed days below 15 business days.

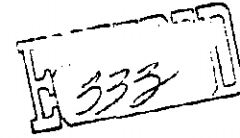
#### **OCC RESPONSE**

OCC officials stated in their response that they have implemented a procedure that now requires payments to be made directly to OCC instead of the D.C. Treasurer or the client agencies.

#### **OIG COMMENT**

The actions planned and taken by OCC should correct the conditions noted.

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**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Corporation Counsel**



**MEMORANDUM**

**TO:** Charles C. Maddox  
Inspector General

**FROM:** Robert R. Rigsby *RRR (W)*  
Corporation Counsel

**DATE:** May 17, 2002

**SUBJECT: Response to Draft Report on the Antifraud Fund (OIG No. 02-2-11CB)**

Below please find the responses to the draft audit report related to the Antifraud Fund (OIG No. 02-2-11CB).

1. **Provide documentation to the OIG that confirms that the \$4,112.70 identified as restitution due to the District of Columbia's MAA was transferred as appropriate.**

A Journal entry was prepared and posted to the financial management system (SOAR) to transfer the portion of the payment due to the Department of Human Services (DHS). OCC informed DHS that the transaction had occurred.

2. **Review Fund transactions on a regular basis to ensure they are properly posted and timely received.**

The date on the check does is not the date the on which check was received by the Office of the Corporation Counsel (OCC) and is likely not the date the check was mailed by the obligor. In addition, checks are often mailed to the DC Treasurer's Office or the client agencies, further delaying receipt by OCC.

Once a check is delivered to OCC, the check is routed to the attorney responsible for litigating the case. The attorney determines which account should be credited and ascertains that the check is in the amount due. On the supporting documents transmitted with the check, the attorney enters the date the check was received. The



check is then submitted to the OCC finance office for deposit, along with an authorizing memorandum. The OCC finance office date stamps the documents, records the check in the receipt log, endorses the check and prepares a deposit slip. Checks normally are deposited within two business days of receipt by the OCC finance office.

OCC has required the attorneys now responsible and will require future responsible attorneys to establish "tickler" files to identify the dates checks are due such that delinquent payments can be pursued.

**3. Identify process improvements that would expedite the deposit of funds received to reduce lapsed days below 15 business days.**

As stated above, the date of the check can be well before the date the check is received by the DC Treasurer or the client agencies, much less OCC. However, in those instances where the contracts with the obligors so permit (some settlement agreements are not negotiated only by OCC as they pertain to other jurisdictions as well), OCC will require that the checks be mailed directly to OCC instead of the DC Treasurer or the client agencies. This process of reviewing the contracts and contacting the obligors will commence immediately